

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7772

BILL NUMBER: HB 1896

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Local government debt limitation.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill increases the percentage of true tax value that limits the amount of debt a political subdivision may issue.

Effective Date: July 1, 2003.

Explanation of State Expenditures: Changes in the amount of debt issued by a political subdivision do not change the amount of Property Tax Replacement Credit (PTRC) provided by the state.

Explanation of State Revenues:

Explanation of Local Expenditures: The total certified net assessed value (AV) in CY 2002 for the 2,464 Indiana political subdivisions is \$1.197 trillion. This is expected to increase by 44.1% in CY 2003 to \$1.725 trillion. (Taxing unit jurisdictions overlap. The total statewide AV in CY 2002 is \$176 billion.)

The limit on the amount of debt that a political subdivision may incur is 2% of the value of the taxable property within that subdivision. Current law states that the "adjusted value" used for the purpose of determining the limit on the amount of debt a political subdivision may incur is equal to 1/3 the value of taxable property. The total "adjusted value" is \$399 billion in CY 2002 and is expected to be \$574 billion in CY 2003. This bill would change "adjusted value" to be 50% of the value of taxable property. This change would increase the "adjusted value" to an expected total of \$862 billion in CY 2003. The total limit on the debt of political subdivisions in CY 2003 would increase from \$11.5 billion (2% of \$ 574 billion) to \$17.2 billion (2% of \$ 862 billion).

An increase in indebtedness by a political subdivision may lead to an increase in the property tax levy by that political subdivision. Any changes in local revenues or expenditures depend on local action.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Michael Squires, 317-233-9456